

# ***NEWS RELEASE***

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***OFFICE OF THE UNITED STATES ATTORNEY  
SOUTHERN DISTRICT OF CALIFORNIA  
San Diego, California***

***United States Attorney  
Carol C. Lam***

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***For Immediate Release***

**NEWS RELEASE SUMMARY** - August 8, 2005

United States Attorney Carol C. Lam today announced that James L. Hillman pled guilty to wire fraud in connection with one of the largest fraud schemes in the history of the Southern District of California. From approximately 1993 through early 2001, Hillman was the President and sole shareholder of Peregrine Funding, Inc., an Oakland-based company that controlled various other investment entities whose sole business purpose was to provide investors' funds to PinnFund U.S.A., Inc., purportedly for use in originating mortgage loans. In connection with the plea, Hillman admitted that in or about November of 2000, he became aware of PinnFund's inability to pay promised returns to investors and that he failed to disclose both PinnFund's default status and the periodic provision of his own funds thereafter to cover the shortfalls. He also admitted that he solicited at least \$20 million during the time that he was fraudulently concealing PinnFund's default status from investors.

Previously, eight other people have pled guilty to offenses connected to the PinnFund operation: Michael J. Fanghella, the former Chief Executive Officer of PinnFund; Keith Grubba, the former President and Chief Operating Officer of PinnFund; John D. Garitta, the former Chief Financial Officer of PinnFund; John C. Bykowski, a former administrative assistant at PinnFund; Tommy A. Larsen, former President of PinnLease, a PinnFund subsidiary; Kim Larsen, former head of CopyFax, Inc., a PinnFund vendor; Kimberly Hulihee, PinnLease office manager; and Michael Trap, PinnLease syndication manager.

United States Attorney Carol C. Lam commented, “Mr. Hillman pocketed millions from this fraud, and today is a day of justice for PinnFund investors.”

Daniel R. Dzwilewski, Special Agent in Charge of the San Diego office of the Federal Bureau of Investigation, advised that, “White collar criminals who bilk investors of their life savings through flagrant misrepresentations and omissions, will always be vigorously pursued.”

Hillman is scheduled to be sentenced before the Honorable Marilyn L. Huff on December 2, 2005, at 9:00 a.m.

### **DEFENDANT**

James L. Hillman  
Oakland, CA  
DOB: 10/20/39  
Occupation: former President of Peregrine Funding, Inc.

### **SUMMARY OF CHARGE AND MAXIMUM PENALTIES**

Wire Fraud – Title 18, United States Code, Section 1341  
5 years’ imprisonment; fine of twice the gross gain or loss

### **INVESTIGATING AGENCIES**

Federal Bureau of Investigation  
Internal Revenue Service – Criminal Investigation  
Department of Housing and Urban Development, Office of the Inspector General